

MARKET DEMAND CONCLUSIONS (UDPATED FEBRUARY 13, 2018)

The demand for market rate rental apartments is not isolated to a specific area of Collier County, however, the rental communities within the North Naples planning district are some of the oldest in the county. The demand for rental apartments is based in part on the lack of available supply, resulting in record occupancy of the existing facilities and on the size of the population that primarily occupies them.

Rental apartment demand is a function of population growth. Most the occupants for rental apartments are single and/or couples who are employed who vary in age from millennials to baby boomers.

The forecast for rental apartment demand started with a review of the current market status. Data used to support this forecast is based on the US Census Estimates and Moodys Analytics, the American Community Survey (ACS) Housing Summary and the National Multifamily Housing Council. The supporting documentation is included in the addendum of this report. Located below is the calculation of demand for market rate rental apartments in Collier County. This is followed by an explanation and support of the forecast.

A	B	C	D	E	F	G	H	I	J	K	L	M
Year	Population	Total Households	Persons per HH	Pct Annual Rental	Rental Households	Pct with Income between 35K and 99K	Annual Demand for Market Rate Units	Pct of Rental Units with rent between \$800 and \$2,500	Total Market Demand	Current Supply	Annual Need	Cumulative Demand
2012	328,209	122,972	2.67									
2015	356,570	145,194	2.46	16%	23,231	45.0%	10,454	59%	6,168	5,648	520	520
2016	365,136	147,758	2.47	16%	23,641	45.0%	10,639	59%	6,277	5,648	629	1,149
2017	368,787	152,747	2.41	16%	24,440	45.0%	10,998	59%	6,489	5,944	545	1,693
2018	372,475	154,274	2.41	16%	24,684	45.0%	11,108	59%	6,554	5,944	610	2,303
2019	376,200	155,817	2.41	16%	24,931	45.0%	11,219	59%	6,619	5,944	675	2,978
2020	379,962	157,375	2.41	16%	25,180	45.0%	11,331	59%	6,685	5,944	741	3,719
2021	383,762	158,949	2.41	16%	25,432	45.0%	11,444	59%	6,752	5,944	808	4,527

The estimate of market rate rental unit demand, is based on the relationship of rental units to population and the associated rental housing units. **Column B** starts with the 2012 Population estimate from the Collier County Planning Forecast, with estimates through 2015 and forecast through 2021. Based on the Collier County Planning department, the forecast is reflective of the BEBR Medium population estimate. **Column C** reflects the total households taken from the 2017 Moody's forecast. **Column D** is the calculation of the persons per household which is the total population divided by the total households, which is 2.41. The 2.41 persons per household figure will be used in the forecast to calculate the estimate household growth in relation to the Population estimates.

Column E is the percentage of households in Collier County that are identified as reserved for rental. As of the 2017 Demographic and Income Profile, there are a total of 48,666 units in Collier County that are identified as use for rentals which represents 31% of the total including seasonal rentals. We have estimated that roughly half or 16% represent households that will rent on an annual basis.

Column F reflects the percentage of households that have income between \$35,000 and \$99,000 within the County. The households with income in this range are most likely to rent apartments in the county. The household income range represents 45% of the total within the county.

Column G is the calculation of the total rental households would be made up of the households that make between 35K and 99K annual income. The resulting number reflects the total households that, based on their income would be most likely to occupy market rate rental housing.

Column H is the estimate of total market rate rental households based on the household income range and is calculated by multiplying Column F by Column G.

Column I reflects the percentage of rental units that have rental rates between \$800 and \$2,500 per month. This is obtained from page 2 of the ACS housing Summary and provides support for the percent of units with rental rates in this range. This is considered the general rental range for market rate rental apartments in Collier County. Based on this data, 59% of the rental units in Collier County have a monthly rental rate between \$800 and \$2,500 per month. Those units with rental rates below are considered subsidized housing and those with rate above are considered other types of rental product.

Column J is the estimate of total market rate rental households based on the data provided. It is calculated by multiplying Column H, Annual Market Rate Demand by, Column I, the percentage of rentals that have a rental rate that is consistent with market rates from the survey above.

Column K reflects the total market number of market rate rental units in Collier County.

Column L is the difference between the Column J, the total market demand, and Column K, the current market rate supply. This therefore reflects the undersupply of market rate rental units needed.

Column M is simply the cumulative number of rental units needed until 2021.

Based on the demand analysis, there is an estimate demand for an additional 2,895 market rate rental apartments in Collier County, growing to a total of 6,007 by 2021.

7.0 PROPOSED RENTAL APARTMENT SUPPLY

In addition to the existing market rate rental apartment supply, there are currently eight properties that are in the process of being approved for the development of rental apartments.

The approved units must be subtracted from the supply to estimate the net demand for new market rate rental apartments. The eight projects and their estimated delivery dates are below.

Apartment	Est Delivery	
	Year	Total Units
Inspira at Lely Resort	2018	304
Briarwood Apartments	2018	320
Legacy Naples New Hope Ministries	2018	304
Addison Place	2018	240
Springs at Sabal Bay	2019	340
Ave Maria Apts	2019	250
Journey's End	2019	483
Pine Ridge Commons	2020	375

These eight properties are located throughout the county. The estimated delivery date of the projects is based on a property inspection of each property in January 2018. It should be noted that not all the projects will be completed on the estimated date.

8.0 DEMAND SUPPLY CONCLUSIONS

The analysis above indicated an increasing demand for market rate rental apartments in Collier County. Currently eight facilities are in the approval process which will add to the market rate rental apartments supply which will help to satisfy the current demand. Located below is a summary chart that shows the net demand for additional units in Collier County.

Year	Current Supply	Annual Need	Cumulative Demand	Approved Units	Net Demand
2012					
2015	5,648	520	520		520
2016	5,648	629	1,149		1,149
2017	5,944	545	1,693		1,693
2018	5,944	610	2,303	1168	1,135
2019	5,944	675	2,978	1073	737
2020	5,944	741	3,719	375	1,103
2021	5,944	808	4,527		1,911

Based on our analysis, there is ample demand for market rate rental apartments in Collier County. The increased demand is driven by the population growth and corresponding employment. The lack of sites with adequate size and functional utility will continue to limit the development of new facilities. The repurposing of sites with improvements that do not represent the highest and best use, like the subject, are the alternatives to help satisfy demand in the future.

